

# SAL. OPPENHEIM

## Ascom

Technology

2008-03-10

Applied disclosures can be found in the appendix

## Buy

Fair Value CHF15.50

Price CHF12.05 (Closing price as of 2008-03-07)



### CONTINUING POSITIVE NEWS FLOW

#### ASSESSMENT

- Last week, Ascom's Wireless Solutions (Wiso) announced an OEM order from a major Telephony and Communications Solutions provider. Ascom was reluctant to publish the new client name. The contract is worth a "lower double digit million" (we estimate CHF20m p.a.) and will be shipped as of 2009. Ascom will design, develop and produce cordless enterprise hand-phones based on the DECT standard as well as ISDN and IP-DECT base stations/accessories. The order requires some ramp up costs in 2008 but should be included in Ascom's margin guidance. The order will clearly help Ascom to achieve its 2010 Wiso target of 5% sales growth p.a. with an EBIT margin of 12-13%.
- Security Solutions (Seso) received today a "low single digit million" (we estimate CHF2m) order from the Finnish Army as part from a frame agreement. The delivery of an All-IP solution will take place in 2008 and represents the second order from the Finnish Defence Forces after 2006. Given that Ascom is a strategic partner of the Finnish Army for integrated communication systems, we expect further orders medium term.
- Ascom also announced today the divestment of its Tunnel Communication unit (TIC) to Comlab. TIC was part of Traffic which is held for sale. We estimate that TIC's project business contributed some 10-20% (CHF2m to CHF4m) to Traffic sales. As TIC was likely not profitable, we expect marginal proceeds and no impact on Ascom's accounts. The sale of TIC is the first step of CEO Cadonau to streamline Ascom's portfolio and especially that of Seso. Note that Payphones, Toll, Industry and Traffic are held for sale.

#### MARKET DATA

Reuters	ASCN.S
Bloomberg	ASCN SW
Market cap CHFbn	0.4
Free float %	80.0

#### KEY DATA

Yr.end 12/31	2006	2007e	2008e
Revenues m	564.90	577.00	600.00
Net profit m	17.10	-31.60	16.50
Adj. EPS	0.92	0.37	0.88
PER	14.9	44.6	13.8
EV/EBIT	10.0	-15.5	8.0
EBIT mgn. %	5.8	-5.0	5.8
EPS CAGR 06-09e: 5 %			

#### NEXT EVENTS

Full year results	2008-03-12
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#### VALUATION

- Our sum-of-the-parts-model points to a value of CHF15.5 per share of which CHF4 are net cash. CHF15.5 attributes the stock a PER 2008 and PER 2009 of 17.3x and 14.4x respectively and EV/EBITDA ratios of 8.3x and 6.5x.

#### CONCLUSION

**Ascom will report FY 2007 results this week which will be weak on the bottom line. However, current and expected positive news flow from its core units Wiso and Seso are pointing to continued good products/high customer trusts as well as CEO Cadonau to keep its promises. Buy confirmed.**

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Bank Sal. Oppenheim jr. & Cie. (Schweiz) A

Ascom - P&L (Cost of Sales)					
CHFm (Yr. end: 12/31)	2005	2006	2007e	2008e	2009e
<b>Sales</b>	<b>688.6</b>	<b>564.9</b>	<b>577.0</b>	<b>600.0</b>	<b>525.0</b>
Cost of goods sold	-466.3	-366.4	-375.0	-383.0	-330.0
<b>Gross profit</b>	<b>222.3</b>	<b>198.5</b>	<b>202.0</b>	<b>217.0</b>	<b>195.0</b>
Selling costs	-112.1	-103.3	-112.0	-117.0	-100.0
Administrative costs	-51.1	-31.4	-39.0	-28.5	-17.5
R&D costs	-36.3	-30.8	-33.0	-35.0	-31.0
Other operating income/expenses (net)	11.9	0.0	-46.8	-1.5	-1.5
<b>EBITDA</b>	<b>40.4</b>	<b>45.9</b>	<b>30.7</b>	<b>47.0</b>	<b>57.0</b>
<b>EBIT</b>	<b>34.7</b>	<b>33.0</b>	<b>-28.8</b>	<b>35.0</b>	<b>45.0</b>
Interest result	-6.4	0.0	3.0	3.0	3.5
<b>Financial result</b>	<b>-6.4</b>	<b>0.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.5</b>
<b>Profit or loss on ordinary activities</b>	<b>28.3</b>	<b>33.0</b>	<b>-25.8</b>	<b>38.0</b>	<b>48.5</b>
<b>EBT</b>	<b>28.3</b>	<b>33.0</b>	<b>-25.8</b>	<b>38.0</b>	<b>48.5</b>
Taxes	1.2	0.2	-5.0	-6.5	-10.5
<b>Profit / loss for the year (cont. operations)</b>	<b>29.5</b>	<b>33.2</b>	<b>-30.8</b>	<b>31.5</b>	<b>38.0</b>
Discontinuing operations (net)	115.3	-16.1	-0.8	-15.0	0.0
<b>Net profit</b>	<b>144.8</b>	<b>17.1</b>	<b>-31.6</b>	<b>16.5</b>	<b>38.0</b>
+ /- Net profit adjustments	-115.3	16.1	45.0	15.0	0.0
<b>Adjusted net profit</b>	<b>29.5</b>	<b>33.2</b>	<b>13.4</b>	<b>31.5</b>	<b>38.0</b>
Key ratios and figures					
CHFm (Yr. end: 12/31)	2005	2006	2007e	2008e	2009e
<b>Valuation</b>					
PER	17.1	14.9	44.6	13.8	11.4
P/BV	1.3	2.3	3.2	2.2	1.9
Dividend yield %	2.0	2.0	0.0	1.7	2.1
EV/Sales	0.3	0.6	0.8	0.5	0.5
EV/EBITDA	5.6	7.2	14.6	5.9	4.5
Sustainable FCF yield %	6.5	-0.3	-13.1	9.0	13.5
<b>Data per share</b>					
Weighted avg. number of shares	36.00	36.00	36.00	36.00	36.00
EPS (reported)	4.02	0.48	-0.88	0.46	1.06
adj. EPS	0.82	0.92	0.37	0.88	1.06
Dividend	0.28	0.00	0.20	0.25	0.30
Book value per share	10.70	6.11	5.24	5.49	6.30
Sustainable FCFPS	0.4	-0.0	-1.6	0.7	1.0
<b>Growth rates %</b>					
Sales	-43.6	-18.0	2.1	4.0	-12.5
EBITDA	-62.5	13.6	-33.1	53.1	21.3
EBIT	-44.7	-4.9	nm	nm	28.6
Net profit	206.8	-88.2	nm	nm	130.3
adj. EPS	-39.4	12.5	-59.6	135.1	20.6
<b>Margins %</b>					
Gross	32.3	35.1	35.0	36.2	37.1
EBITDA	5.9	8.1	5.3	7.8	10.9
EBIT	5.0	5.8	-5.0	5.8	8.6
<b>Net profit</b>	<b>21.0</b>	<b>3.0</b>	<b>-5.5</b>	<b>2.8</b>	<b>7.2</b>
<b>Expense ratios %</b>					
R&D to sales	5.3	5.5	5.7	5.8	5.9
Depreciation to sales (Cost of sales)	3.3	2.6	2.5	2.0	2.3
Tax rate	-4.2	-0.6	-19.4	17.1	21.6
<b>Other ratios</b>					
Interest cover	nm	nm	nm	nm	nm

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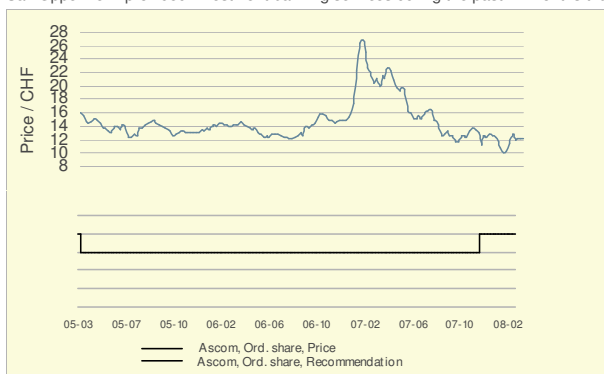
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